

Message Text

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ACTION EB-08

INFO OCT-01 NEA-10 IO-13 ISO-00 AGRE-00 CEA-01 CIAE-00
COME-00 DODE-00 FRB-03 H-01 INR-10 INT-05 L-03
LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05 SS-15
STR-07 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02 OMB-01
DOE-15 STRE-00 AF-10 ARA-10 EA-10 EUR-12 /166 W
-----124323 211116Z /14

R 201846Z APR 78
FM USMISSION GENEVA
TO SECSTATE WASHDC 8687
INFO AMEMBASSY AMMAN
AMEMBASSY BEIRUT
AMEMBASSY CAIRO
AMEMBASSY DAMASCUS

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PASS STR ELECTRONICALLY

E.O. 11652: N/A
TAGS: ETRD, GATT, JO, LE, EG, SY
SUBJECT: GATT EC-MASHREK WORKING PARTY, APRIL 19

1. SUMMARY: IN WHAT WAS LARGELY A REPLAY OF WP MEETING
ON EC-MAGHREB, SUBJECT WORKING PARTY MET APRIL 19 AND
SHOWED USUAL DIFFERENCES OF OPINION ON GATT LEGALITY OF
EC FREE TRADE ARRANGEMENTS. DEBATE ON GATT LEGALITY WAS
MORE LIVELY THAN USUAL WITH EC REPEATEDLY SKIRTING QUES-
TION OF GATT LEGALITY UNDER ARTICLE XXIV. U.S. DID NOT
ADDRESS GATT LEGALITY. WP REPORT, TO BE CONSIDERED
APRIL 27, WILL REFLECT DIFFERING OPINIONS. END SUMMARY.

2. EC PRESENTED AGREEMENTS ALMOST IDENTICAL TO EC-MAGHREB
AGREEMENTS, ARRANGEMENTS WHICH
REPRESENT A NEW MODEL IN EC ECONOMIC RELATIONS WITH
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DEVELOPING STATES. EC SAID THAT THE EC-MASHREK AGREE-
MENTS THEREFORE MET THE OBJECTIVES AND INTENT OF PART IV
OF THE GENERAL AGREEMENT. EC DEL (ADINOLFI) DREW ATTEN-
TION TO LACK OF REVERSE PREFERENCES AND STATED THAT THE
EC, AS THE DEVELOPED PARTNER MEMBER, FELT OBLIGATED TO
FULFILL SPIRIT OF ARTICLE XXIV BUT BELIEVED THAT DEMANDING
REVERSE PREFERENCES WOULD BE INCONSISTENT WITH DEVELOP-

MENT OBJECTIVES OF PART IV OF THE GENERAL AGREEMENT. DESPITE REPEATED PRODDING FROM CANADA, JAPAN AND AUSTRALIA, EC STUCK TO THIS LINE AND AVOIDED JUSTIFYING AGREEMENT UNDER ARTICLE XXIV. EGYPT (HAMZA), IN RAMBLING INTERVENTION, CITED DEVELOPMENT OBJECTIVES OF AGREEMENTS, ARGUED FOR FLEXIBILITY ON PART OF CPS AND FOR ENLIGHTENED INTERPRETATION OF RELEVANT GATT ARTICLES. LEBANON SECONDED EC AND EGYPTIAN STATEMENTS. SINCE EC DID NOT JUSTIFY AGREEMENT UNDER ARTICLE XXIV, WE DID NOT ADDRESS QUESTION OF GATT LEGALITY, AS PER INSTRUCTIONS.

3. CANADIAN AND JAPANESE DELS ARGUED THAT AGREEMENT DID NOT MEET THE CRITERIA OF ARTICLE XXIV FOR REGIONAL AGREEMENTS SINCE SUBSTANTIALLY ALL OF THE TRADE WAS NOT FREE (I.E., FOUR STATES DID NOT GRANT PREFERENCES TO EC). CANADA (MCLEAN) ALSO POINTED OUT THAT PART IV DOES NOT OVERRIDE REQUIREMENTS OF ARTICLE XXIV AND HE AND JAPANESE DEL DISAGREED WITH EC INTERPRETATION THAT PART IV ALLOWS EC TO GRANT PREFERENCES TO SOME LDCS WITHOUT EXTENDING THEM TO ALL LDCS. EGYPTIAN DEL SAID THAT ONE WAY PREFERENCES SHOULD BE SEEN IN THE LIGHT OF ARTICLE XXXVI:8 IS THAT THE EC WAS NOT DEMANDING RECIPROCITY FROM THE MASHREK STATES. WE POINTED OUT THAT XXXVI:8 REFERRED TO TRADE NEGOTIATIONS CONDUCTED ON AN MFN PRINCIPLE AND CANADIANS NOTED THAT THE INTERPRETATIVE NOTE TO XXXVI:8 DOES NOT LIST ARTICLE XXIV AS ONE OF LIMITED OFFICIAL USE

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THOSE ARTICLES OF THE GA TO WHICH THE PRINCIPLE OF NON-RECIPROCITY APPLIES. AUSTRALIANS ARGUED, SINCE AGRICULTURE WAS LARGELY EXCLUDED, THAT AGREEMENTS DID NOT MEET "SUBSTANTIALLY ALL" REQUIREMENTS OF ARTICLE XXIV:8. EC EXPRESSED SURPRISE AT AUSTRALIAN STATEMENT CLAIMING THAT AUSTRALIA HAD SUPPORTED ONE-WAY PREFERENCES IN THE AUSTRALIA-PAPUA NEW GUINEA (PAPCRA) FREE TRADE AGREEMENT AND A LIVELY DEBATE ENSUED IN WHICH AUSTRALIA DEL DENIED ANY SIMILARITY BETWEEN PAPCRA AND EC-MASHREK.

4. WE AND THE CANADIANS CRITICIZED UNNECESSARILY STRICT RULES OF ORIGIN POINTING OUT THAT SIMILAR TYPE PREFERENTIAL ARRANGEMENTS USED SIMPLE VALUE ADDED RULE OF 50 PERCENT. EC AGAIN DEFENDED (WITH EGYPTIAN ASSISTANCE) COMPLEX ORIGIN RULES AS NECESSARY TO MEET INDIVIDUAL ECONOMIC CIRCUMSTANCES. USING SPECIFIC EXAMPLES OF ORIGIN RULES (SUCH AS 3 PERCENT TRANSISTOR RULE), WE SHOWED HOW ORIGIN RULES COULD FORCE FOUR STATES TO SOURCE INPUTS FROM THE EC FOR FUTURE EXPORT INDUSTRIES AND ASKED WHAT INTENTIONS EC HAS TO CHANGE ORIGIN RULES. EC NOTED THAT AGREEMENTS CALL FOR PERIODIC REVIEW AND THAT ORIGIN RULES FORM PART OF THIS REVIEW, WITH CHANGES

PERHAPS BEING MADE AS ECONOMIC CIRCUMSTANCES CHANGE. WE
CLOSED ARGUMENT BY NOTING THAT, WHILE WE WELCOMED LACK
OF REVERSE PREFERENCES IN AGREEMENTS, WE DID NOT WANT TO
SEE EQUIVALENT TRADE DIVERSION SNEAK IN BY WAY OF ORIGIN
RULES.

5. WE ALSO SOUGHT CLARIFICATION FROM EC OF SAFEGUARD
CLAUSES IN MASHREK AGREEMENTS AND THEIR RELATION TO GATT
ARTICLE XIX. EC DEL REPLIED THAT ANY SAFEGUARD ACTION
TAKEN UNDER THE BILATERAL ARRANGEMENTS APPLIED ONLY TO
THE PARTIES TO THE AGREEMENT AND THAT ANY ACTION TAKEN
AGAINST THIRD PARTIES WOULD FOLLOW GATT ARTICLE XIX. WE
ASKED IN CASE WHERE SAFEGUARD ACTION IS TAKEN ON SAME

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PRODUCT AGAINST THIRD COUNTRIES AND AGAINST MASHREK
STATE, IF ARTICLE XIX WOULD APPLY, POINTING OUT THAT, IN
ANY SUCH ACTION, EC COULD NOT DISCRIMINATE (THAT IS,
TAKE LESSER RESTRICTIVE ACTION AGAINST MASHREK PARTNER
THAN AGAINST OTHER PARTIES) UNDER ARTICLE XIX. EC DEL
REPEATED PREVIOUS ARGUMENT AND AVOIDED DIRECT ANSWER
TO QUESTION LEAVING IMPRESSION THAT EC MIGHT APPLY
SELECTIVE SAFEGUARD ACTION IN A DISCRIMINATORY MANNER

THAT FAVORED PARTIES WITH WHOM EC HAS BILATERAL AGREEMENTS.

6. EC AGREED TO FOLLOW THE USUAL BIENNIAL REPORTING PROCEDURE, AND WE AND CANADIANS ARGUED THAT FIRST REVIEW SHOULD EXAMINE EFFECTS OF ORIGIN RULES ON TRADE. WITH RESPECT TO CONSULTATIONS IN CASE OF TRADE DIVERSION LIMITED OFFICIAL USE

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RESULTING FROM THE AGREEMENTS, EC AND EGYPT REPLIED THAT OTHER CPS ALWAYS HAVE RECOURSE TO ARTICLE XXII AND XXIII OF THE GA.

7. WP WILL MEET AGAIN APRIL 27 TO APPROVE WP REPORT. VANDEN HEUVEL

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